

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 OMB-01 NSC-05 SS-15 STR-07 CEA-01 PA-02
/100 W

-----045680 011042Z /13

R 302110Z AUG 78
FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 981
AMEMBASSY OTTAWA
AMCONSUL QUEBEC
AMCONSUL TORONTO

UNCLAS MONTREAL 1705

E.O. 11652: NA
TAGS: EFIN, ECON, CA
SUBJECT: DOLS 500 MILLION EUROCURRENCY LOAN DUBBED "SPECTACULAR"
BY PARIZEAU

1. MINISTER OF FINANCE JACQUES PARIZEAU ON AUGUST 29
ANNOUNCED THE LARGEST EUROCURRENCY LOAN EVER SIGNED BY A
CANADIAN PROVINCE. SPEAKING IN LONDON, ENGLAND, WHERE THE
US DOLS 500 MILLION LOAN WAS PUT TOGETHER, PARIZEAU PROCLAIMED
IT A "SPECTACULAR OPERATION" AND SAID IT WAS SNAPPED UP
SO QUICKLY THAT HE WOULD "LIKE TO THINK THIS IS SOME RE-
FLECTION UPON THE STABILITY WE THINK QUEBEC HAS".

2. THE LOAN WAS SUBSCRIBED TO BY A GROUP OF 30 BANKS LED BY
ORION BANK LTD. OF LONDON FOR A PERIOD OF 10 YEARS. TWO
QUEBEC BANKS ARE AMONG THE PRINCIPAL MEMBERS OF THE
CONSORTIUM: THE PROVINCIAL BANK OF CANADA AND THE BANQUE
CANADIENNE NATIONALE. EACH OF THE 30 PARTICIPATING BANKS
HAD TO AGREE TO TAKE AT LEAST US DOLS 5 MILLION IN OBLIGATIONS.
THE INTEREST RATE ON THE LOAN WILL BE 5/8 OF 1 PERCENT ABOVE THE
LONDON INTERBANK RATE FOR THE FIRST TWO YEARS, THEN 3/4 OF 1
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PERCENT ABOVE THE RATE FOR THE REMAINING EIGHT YEARS.

3. PARIZEAU EXPLAINED THAT THE RATES OFFERED WERE SO FAVORABLE
THAT THE P.Q. GOVERNMENT DECIDED TO RETIRE A US DOLS 300 MILLION
LOAN ARRANGED JUST LAST YEAR AND WHICH WOULD HAVE BECOME DUE IN
1983. THE REMAINING US DOLS 200 MILLION WILL BECOME PART OF A
"RESERVE FUND" OF ABOUT US DOLS 1.5 BILLION WHICH THE TWO LARGEST

PROVINCIAL BORROWERS, HYDRO-QUEBEC AND THE GOVERNMENT, HAVE
ALREADY ACCUMULATED TOWARDS THEIR NEXT YEARS' FINANCIAL OBLIGATIONS.

4. COMMENT: SPECTACULAR IS AN APT DESCRIPTION OF PARIZEAU'S
LATEST FINANCIAL COUP. THE TERMS CERTAINLY SIGNAL THE END OF ANY
UNEASINESS THE EUROPEAN MONEY LENDERS MAY HAVE ORIGINALLY FELT
ABOUT THE P.QMN GOVERNMENT. BY WAY OF COMPARISON, THE RETIRED
US DOLS 300 MILLION LOAN, ARRANGED JUST A FEW MONTHS AFTER THE P.Q.
ELECTORAL VICTORY, WAS FOR A RELATIVELY SHORT SEVEN YEAR TERM
WITH INTEREST SET AT 1.125 PERCENT ABOVE THE LONDON INTERBANK RATE
FOR THE FIRST TWO YEARS, AND 1.25 PERCENT ABOVE THE RATE FOR THE RE-
MAINDER OF THE LOAN. WE FEEL IT NOW SAFE TO SAY THAT THE P.Q.
HAS FINALLY ACHIEVED FINANCIAL RESPECTABILITY. WHILE THIS MAY
VEX THEIR ENEMIES, IT ALSO DEPRIVES THE P.Q. OF A FAVORED BOGEYMAN
WHICH THEY HAVE TROTTED OUT ON OCCASION TO RALLY THE TROOPS. THEY
HAVE ALL THE MONEY THEY NEED AND THEN SOME. NOW THEY MUST PRO-
DUCE RESULTS.
HARPER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, EURODOLLAR
Control Number: n/a
Copy: SINGLE
Draft Date: 30 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MONTRE01705
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780357-0873
Format: TEL
From: MONTREAL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978089/aaaaagxp.tel
Line Count: 80
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1f3b0467-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1811723
Secure: OPEN
Status: NATIVE
Subject: DOLS 500 MILLION EUROCURRENCY LOAN DUBBED "SPECTACULAR" BY PARIZEAU
TAGS: EFIN, ECON, CA, (PARIZEAU, JACQUES)
To: STATE OTTAWA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1f3b0467-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014